LCA LOUISIANA CHEMICAL ASSOCIATION
DAN S. BORNÉ
PRESIDENT

September 19, 2006

Ms. Renee Orr, 5-Year Program Manager
Minerals Management Service (MS-4010)
Room 3120, 382 Elden Street
Herndon, VA 20170

RE: **Minerals Management Service (MMS) Request for Comments on the Preparation of a New 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 2007-2012. 70 Federal Register 49669-49679 (August 24, 2005); and Draft EIS for 5-Year Plan**

Dear Ms. Orr:

The Louisiana Chemical Association has been reminded that there are two (2) comment periods running simultaneously: one on the 5-Year Plan and the other on the Draft EIS for the 5-Year Plan.

Because our need for natural gas continues to grow, and our points of interest are still the same, please allow the attached letter, originally submitted in October of 2005, to serve as letters of support for the above-captioned matters.

We respectfully request that a copy of the attached letter, along with this cover letter, be placed in both dockets as comments of support for the 5-Year Plan, as well as the Draft EIS for the 5-Year Plan.

The Louisiana Chemical Association, and its sixty-four member companies, appreciate the opportunity to comment. If you have any questions, please contact me at 225-376-7660 and/or by email at Dan@lca.org.

Sincerely,

Dan S. Borné, President
Louisiana Chemical Association

DSB/dtl
Attachments (2 copies of 10/6/05 letter)

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LCA LOUISIANA CHEMICAL ASSOCIATION

DAN S. BORNÉ
PRESIDENT

October 6, 2005

Ms Renee Orr, 5-Year Program Manager
Minerals Management Service (MS-4010)
Room 3120, 382 Elden Street
Herndon, VA 20170

Re: Minerals Management Service (MMS) Request for Comments on the Preparation of a New 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 2007-2012. 70 Federal Register 49669-49679 (August 24, 2005)

Dear Ms Orr:

The Louisiana Chemical Association is pleased comment on the Minerals Management Service (MMS) Request for Comments on the preparation of a new 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 2007-2012. Please know that we also endorse and fully support the comments that have been provided by the American Chemistry Council under separate cover.

The events of the last month – two disastrous hurricanes – delivered a body blow to the belly of America's energy infrastructure, and the resultant run ups in natural gas prices add more urgency to your decision making process and give additional weight to our comments.

The Louisiana Chemical Association represents 66 member companies with ninety-four sites across the State of Louisiana who are at the mercy of the prices charged for natural gas. High natural gas prices are a triple hit for the chemical industry. Many chemical plants use natural gas as both their main fuel AND their main raw material because natural gas is the starting point for the basic chemicals made here in Louisiana. And, the industry purchases a tremendous amount of electrical power, much of which is generated with natural gas. Therefore, the entire membership of the Louisiana Chemical Association has a direct and a strong interest in the development of the next offshore leasing program.

We commend the Minerals Management Service (MMS) for asking for comments on **all** areas of the Outer Continental Shelf (OCS), including the 89% of the lower 48 OCS acreage that remains "off limits" due to moratoria (including, the Atlantic and Pacific offshore and most of the Eastern Gulf of Mexico) as well as the resource-rich areas off Alaska's coast. The OCS is vitally important to America's energy security. It contains huge, untapped resources of oil and natural gas that are critically important to sustaining our national economic growth and maintaining much-needed jobs in virtually every sector of the economy. Oil and natural gas are essential to making the many products we use in our daily lives – ranging from clothing to computers, medicines, insulation, carpets, hospital equipment and lightweight but strong parts for more fuel-efficient cars and planes.

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The bottom line is that we need to fully develop the OCS and we urge you to adopt as expansive a 5-year leasing program as possible.

For too long, OCS development has been limited to the Central and Western Gulf of Mexico. This has been a vitally important area – supplying almost 30% of the oil produced in the US and about 20% of the natural gas. As we have been reminded all too starkly by recent events, disruptions in supplies from this area have national implications affecting consumers throughout the country. While this area will remain vitally important, it is clear we must expand energy development to other parts of the OCS.

The next 5 year plan must provide for expanded leasing in the OCS.

While the OCS has played a key role in helping meet US energy needs, particularly the need for clean-burning natural gas, expanded access to new OCS areas is needed to ensure adequate future domestic energy supplies. US energy policy has not sufficiently emphasized the importance of developing domestic oil and natural gas supplies. As the Congressional Joint Economic Committee pointed out, US policy has encouraged the use of clean-burning natural gas, while discouraging the development of new supplies – and approach that they called "a recipe for problems." The next 5 year plan can take an important step to address American consumers' future energy needs by providing for expanded OCS leasing, including:

- Open the remaining Sale 181 area; it has substantial energy resource potential and access to existing infrastructure that could help speed delivery to energy users.
- Expand acreage offered for lease in Alaska. Alaska's OCS is estimated to contain 122 trillion cubic feet (Tcf) of natural gas and 25 billion barrels of oil – enough natural gas to heat more than 60 million homes for 30 years and enough oil to fuel more than 50 million cars for 15 years..
- Provide a flexible, timely process for amending the plan to allow inclusion of areas where development is currently prohibited should they be opened to development in the future.

Policymakers intended to use the OCS to support energy development.

The Outer Continental Shelf Lands Act (OCSLA) explicitly recognizes the importance of OCS oil and natural gas production. The OCSLA declares that it is "…the policy of the United States that….the Outer Continental Shelf is a vital national resource reserve held by the Federal Government for the public, which should be made available for expeditious and orderly development, subject to environmental safeguards, in a manner which is consistent with the maintenance of competition and other national needs." Further, the 1978 amendments to the OCSLA found that "… increasing reliance on imported oil is not inevitable, but is rather subject to significant reduction by increasing the development of domestic sources of energy supplies…"

Substantial OCS resources could be developed.

Various types of moratoria have restricted energy development by preventing exploration and production off most of US coastline. Such restrictions mean we are denying American consumers vast domestic energy supplies. For example, there are about 300 Tcf of natural gas and more than 50 billion barrels of oil on the OCS off the 48 states that can be recovered using today's technology but which have yet to be discovered.

To put this in perspective, this is enough oil to maintain current US oil production for more than 80 years and current natural gas production for almost 70 years. Put another way, this is enough oil to produce gasoline for 116 million cars *and* heating oil for 47 million homes for 15 years. Or, it is enough oil to replace current imports from the Persian Gulf for 59 years and enough natural gas to heat 75 million homes for 60 years. Or, it could supply current industrial and commercial needs for 29 years. Or, it could supply current electricity generating needs for 55 years. And, that is before the Alaska OCS is considered, with additional resources of 122 tcf of natural gas and 25 billion barrels of oil. The importance of these resources cannot be overstated.

Current resource estimates could well understate OCS supply potential
Experience suggests that there may be even greater OCS resources than the data show. Current resource estimates may be conservative since the areas are largely unexplored and the estimates have not benefited from the use of new seismic and computer modeling technology. Generally, the more an area is explored, the more its resource estimates grow. For example, government estimates of undiscovered oil in the Central and Western Gulf of Mexico increased by over 400% between 1995 and 2003 and undiscovered natural gas resources by more than 100%.

Failure to expand access comes at a high cost.

The chemical industry in Louisiana currently employs nearly 26,000 Louisiana citizens; down from the 30,000 people who were employed in 2001. This decline is directly attributable to the high price of natural gas and its impact on our plants. While these numbers are staggering, they do not reflect the indirect employment that has been lost due to plant shut-downs.

Across the nation, Americans will pay a high price if the OCS remains essentially "off limits." The US Energy Information Administration (EIA) forecasts that, by 2025, petroleum demand will increase by 39% and natural gas demand by 34%. EIA also estimates that oil and natural gas will provide nearly two-thirds of the energy consumed in 2025.

In the past two years, higher energy prices have slowed US economic growth by .5 to 1.0% (based on pre-hurricane prices). For example, more than 2.8 million US manufacturing jobs have been lost since 2000. Since 2002, 36% of the US fertilizer industry—which uses natural gas as a vital input —has been shut down or mothballed. Farmers paid $6 billion more for energy in 2003 and 2004. The US chemical industry has been especially hard hit by high since natural gas is needed as a feedstock --their natural gas costs increased by $10 billion since 2003. And, $40 billion in business has been lost to overseas competitors who pay less for natural gas. Chemical companies closed 70 facilities in the United States in 2004 and have tagged at least 40 more for shutdown. Of the 120 chemical plants being built around the world with price tags of $1 billion or more, only one is in the U.S.

Gas only/gas preference leasing offers a false promise for supplies that may not materialize.

Gas preference/gas only leasing has been suggested as a first step in opening offshore areas and increasing domestic natural gas supplies. However, this approach could create uncertainties that may deter development of new natural gas supplies.

A gas preference/gas only policy assumes that the oil and gas industry has a greater ability to predict what resources will be found than current expertise and technology allow. Although industry's ability to identify the amount and type of potential resources is far more sophisticated than it was even a decade ago, it is virtually impossible to predict with reasonable certainty the amount and type of potential resource offshore, especially out in deeper and deeper waters and in frontier areas.

For example, a company might spend $80 million or more to buy a lease, conduct seismic testing, obtain the necessary permits, and drill a well(s) to determine whether any resources are present, and whether, if found, the resources are large enough to be developed economically. A company probably would not know if it had met the gas preference or gas only requirement until after most of that capital investment had been made. Companies are not likely to spend tens of millions of dollars only to be forced to abandon the resource, stranding substantial investments. And, they are unlikely to be fully reimbursed for those expenditures not to mention the value of the staff time that constitutes another type of investment. If these uncertainties deter investments, the anticipated, additional supplies of natural gas will not be forthcoming.

In summary, expanded OCS access is a national imperative and the nation just received a wake-up call. The OCS has played a growing role in US natural gas and oil supply for more than 50 years. Technological advances not only helped increase and expand production, but also have assured safe operations that protect the environment. Worldwide, virtually every other country with oil and gas resources is promoting investment in and developing their offshore resources.

The US has an opportunity to improve our energy situation and continue to support economic growth, while providing consumers and businesses with the essential energy that they need. Let's seize this chance to ensure a brighter future for us all by adopting an expansive OCS leasing program.

The Louisiana Chemical Association, and its sixty-six member companies, appreciate the opportunity to comment. If you have any questions, please contact me at 225-376-7660 and/or by email at Dan@lca.org.

Sincerely,

DBorn

Dan S. Borné, President
Louisiana Chemical Association